

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ovid Township	County Clinton
Audit Date March 31, 2005	Opinion Date April 28, 2005	Date Accountant Report Submitted to State: 7/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 108 Spring St.	City St. Johns	State MI	ZIP 48879
Accountant Signature <i>Abraham &amp; Gaffney, P.C. [Signature]</i>			

**Township of Ovid  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2005**

Township of Ovid  
Clinton County, Michigan  
March 31, 2005  
BOARD OF TRUSTEES

James I. McClelland	Supervisor
Carolyn J. Stilwell	Clerk
Jeanne A. Ott	Treasurer
Charles J. Olson	Trustee
James A. Schaefer	Trustee

Township of Ovid

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Principals

Dale J. Abraham, CPA  
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Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
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Public Accountants  
and  
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Certified Public Accountants

Karen A. Roka, CPA  
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Kurt M. Lemmen, CPA

**INDEPENDENT AUDITOR'S REPORT**

**Members of the Township Board**  
**Township of Ovid**  
**Ovid, Michigan**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Ovid, Michigan as of and for the year ended March 31, 2005, which collective comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township of Ovid's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Ovid as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

April 28, 2005

### **New Financial Reporting**

Starting with fiscal year 2005, the Township of Ovid, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Comparative analysis will be provided in future years, as it is not required in the first year of implementation of GASB #34.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- State shared revenue, our largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$5,863 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$11,066 from the prior year. The increase is the result increasing property values and increasing the millage that was levied in the Township.
- The fund balance of the Township's General Fund increased by \$15,672.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Ovid as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Ovid in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township of Ovid acts solely as a trustee or agent for the benefit of those outside the government.

## Township of Ovid

### Management's Discussion and Analysis

#### The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005. A comparative analysis of data will be presented in future years when the information is available.

<b>Assets</b>	
Current assets	\$ 342,935
Noncurrent assets	<u>1,756</u>
Total assets	344,691
<b>Liabilities</b>	
Current liabilities	<u>2,239</u>
<b>Net Assets</b>	
Invested in capital assets	1,756
Unrestricted	<u>340,696</u>
Total net assets	<u>\$ 342,452</u>

The Township's total net assets were \$342,452 at March 31, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$340,696 at the end of the fiscal year. The net assets invested in capital assets were \$1,756. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

<b>Revenue</b>	
Program revenue:	
Charges for services	\$ 3,425
General revenues:	
Property taxes	98,004
State shared revenue	131,813
Investment earnings	4,262
Other	<u>9,568</u>
Total revenue	247,072
<b>Program Expenses</b>	
General government	106,978
Public safety	19,003
Public works	102,518
Recreation and cultural	<u>3,340</u>
Total program expenses	<u>231,839</u>
<b>Change in Net Assets</b>	<u>\$ 15,233</u>

### **Governmental Activities**

The Township's governmental revenues totaled \$247,072 with the greatest revenue source being state shared revenue, making up approximately 53 percent of total revenues. Property taxes make up approximately 40 percent of total governmental revenue. Over the past few years, state shared revenue and interest income have both declined.

The Township incurred expenses of \$231,839 during the year. The majority of expenses are associated with the general government and public works functions, which includes various general governmental activities, maintenance of highways, streets and bridges as well as drains.

### **The Township's Funds**

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, not the Township of Ovid as a whole. The Township of Ovid's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for all of the Township's governmental services. The most significant services provided during the fiscal year was general governmental activities of \$106,978, and maintenance of highways, streets and bridges, which incurred expenditures of \$102,518 for the fiscal year. These activities are funded primarily through property taxes.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the expected decrease in state shared revenue. However, because all departments came in under budget at year-end, there was an overall favorable variance of approximately \$58,210 from budget.

### **Capital Assets**

At the end of the fiscal year, the Township had approximately \$11,637 invested in capital assets, including voting machines and software. There was \$9,881 in accumulated depreciation on these assets with a resulting investment in capital assets (net book value) of \$1,756.

### **Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's 2004/05 fiscal year calls for a reduction of 3 percent of total revenue sharing. This should mean an additional reduction in revenue sharing of approximately \$3,900 to the Township of Ovid.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (989) 834-2838.



## **BASIC FINANCIAL STATEMENTS**

Township of Ovid  
STATEMENT OF NET ASSETS  
March 31, 2005

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 232,598
Investments	101,554
Due from other governmental units - Local	7,003
Due from fiduciary funds	1,780
Total current assets	342,935
Noncurrent assets	
Capital assets, net	1,756
TOTAL ASSETS	344,691
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	980
Accrued interest payable	940
Other accrued liabilities	319
TOTAL LIABILITIES	2,239
<b>NET ASSETS</b>	
Invested in capital assets	1,756
Unrestricted	340,696
TOTAL NET ASSETS	\$ 342,452

See accompanying notes to financial statements.

Township of Ovid  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:			
General government	\$ 106,978	\$ 3,425	\$ (103,553)
Public safety	19,003	-	(19,003)
Public works	102,518	-	(102,518)
Recreation and cultural	3,340	-	(3,340)
Total governmental activities	<u>\$ 231,839</u>	<u>\$ 3,425</u>	(228,414)
General revenues:			
Property taxes			98,004
State shared revenue			131,813
Investment earnings			4,262
Other			<u>9,568</u>
Total general revenues			<u>243,647</u>
		Change in net assets	15,233
Net assets, beginning of the year			<u>327,219</u>
Net assets, end of the year			<u>\$ 342,452</u>

See accompanying notes to financial statements.

Township of Ovid

GOVERNMENTAL FUND BALANCE SHEET

March 31, 2005

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 232,598
Investments	101,554
Due from other governmental units -	
Local	7,003
Due from other funds	<u>1,780</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 342,935</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 980
Accrued wages	940
Other accrued liabilities	<u>319</u>
	2,239
<b>FUND BALANCES</b>	
Reserved for:	
Capital improvements	60,000
Unreserved	
Undesignated	<u>280,696</u>
<b>TOTAL FUND BALANCES</b>	<u><u>340,696</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 342,935</u></u>

See accompanying notes to financial statements.

Township of Ovid

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2005

**Fund balance - governmental fund** **\$ 340,696**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	11,637	
Accumulated depreciation is	<u>(9,881)</u>	
Capital assets, net		<u>1,756</u>

**Net assets of governmental activities** **\$ 342,452**

See accompanying notes to financial statements.

Township of Ovid

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2005

	<u>General</u>
REVENUES	
Taxes	\$ 98,004
Intergovernmental - state	131,813
Charges for services	3,425
Interest and rents	4,262
Other	<u>9,568</u>
TOTAL REVENUES	247,072
EXPENDITURES	
Current	
General government	100,702
Public safety	19,003
Public works	102,518
Recreation and cultural	3,340
Other	<u>5,837</u>
TOTAL EXPENDITURES	<u>231,400</u>
EXCESS OF REVENUES OVER EXPENDITURES	15,672
Fund balances, beginning of year	<u>325,024</u>
Fund balances, end of year	<u><u>\$ 340,696</u></u>

See accompanying notes to financial statements.

Township of Ovid

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL THE  
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

**Net change in fund balance - governmental fund** **\$ 15,672**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense (439)

**Change in net assets of governmental activities** **\$ 15,233**

See accompanying notes to financial statements.

Township of Ovid

Fiduciary Funds

STATEMENT OF NET ASSETS

March 31, 2005

	Agency Funds
ASSETS	
Cash	<u>\$        1,780</u>
LIABILITIES	
Due to other funds	<u>\$        1,780</u>

See accompanying notes to financial statements.



Township of Ovid

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Ovid Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

**1. Reporting Entity**

As required by generally accepted accounting principles; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Township of Ovid. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Ovid contain all the funds controlled by the Township Board.

**2. Joint Ventures**

The Township participates in the following activities which are considered to be jointly governed organizations in relation to the Township, due to there being no ongoing financial interest or responsibility.

Ovid-Middlebury Emergency Services Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury has entered into an agreement that created the Ovid-Middlebury Emergency Services Authority. Each Township appoints three (3) individuals and the Village appoints one (1) individual to the governing board of the Authority. The Townships collect and distribute property taxes that are levied by the Authority. The Authority provides fire and ambulance services to the Townships and the Village.

The financial activities of Ovid-Middlebury Emergency Services Authority are accounted for separately. Separate audited financial statements for the Authority are available directly from the Authority. As of December 31, 2004, the Ovid-Middlebury Emergency Services Authority had a fund balance of \$193,064. The Township distributed \$17,450 to the Authority for per capita charges and fire protection.

Maple Grove Cemetery Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, has entered into an agreement which created the Maple Grove Cemetery Authority. The governing body of the Authority is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of one (1) year. The majority of the Authority's revenue is derived from charges for services which are charged to each individual for lot sales, burials, etc. Each municipality is responsible to pay an equal per capita charge based on amount of anticipated expenditures above anticipated revenues if necessary. The \$8,918 paid from the general fund during the current year was for the Township's portion of related expenditures.

The financial activities of the Maple Grove Cemetery Authority are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended December 31, 2004, are available from the Authority. As of December 31, 2004, the Authority had a fund balance of \$32,492.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Jointly Governed Organizations**

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility.

Ovid Public Library - Under Public Act 24 of 1989, the Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, created the Ovid Public Library which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Township has no financial responsibility to the Library.

**4. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the Township's individual major fund. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The major fund of the Township is:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**5. Measurement Focus**

The government-wide are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Basis of Accounting**

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

**7. Cash, cash equivalents, and investments**

Cash and cash equivalents consist of checking and money market accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

**8. Capital Assets**

Capital assets include software and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5-10 years
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**9. Comparative Data**

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**10. Due From Other Governmental Units**

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**11. Property Taxes**

Ovid Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2005, the Township levied 1.00 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2004 levy for property within the Township was \$73,545,022.

**12. Budgets and Budgetary Accounting**

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

**13. Accounting Change**

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**13. Accounting Change - continued**

- Capital assets reported on the statement of net assets include assets in the amount of \$35,632, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township of Ovid is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Township of Ovid are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township of Ovid.

Township of Ovid

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

As of March 31, 2005, the carrying amounts and bank balances for the accounts were as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 171,531	\$ 171,731
Money market	61,067	61,067
Certificates of Deposit	<u>101,554</u>	<u>101,554</u>
	334,152	334,352
FIDUCIARY FUNDS		
Checking	<u>1,780</u>	<u>1,902</u>
	<u>\$ 335,932</u>	<u>\$ 336,254</u>

The bank balances as of March 31, 2005 were insured by the FDIC \$261,067. The amount of \$75,187 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Restated Balance April. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Mar. 31, 2004</u>
Governmental activities				
Equipment	\$ 11,637	\$ -	\$ -	\$ 11,637
Less accumulated depreciation for:				
Equipment	<u>( 9,442 )</u>	<u>( 439 )</u>	<u>-</u>	<u>( 9,881 )</u>
Capital assets, net	<u>\$ 2,195</u>	<u>\$ ( 439 )</u>	<u>\$ -0-</u>	<u>\$ 1,756</u>

Depreciation expense of \$439 was allocated to the general government function on the statement of activities.

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at March 31, 2005, are as follows:

Due to General Fund from:	
Fiduciary Fund	<u>\$ 1,780</u>

Township of Ovid

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE E: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Township also maintains commercial insurance coverage for workers' compensation.

**NOTE F: RETIREMENT PLAN**

The Township of Ovid is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Ovid Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 75% and the employee 25% of the amount. During the year ended March 31, 2005, the Township of Ovid made contributions for all participating employees of \$300 per employee with the participating employees required to contribute \$100 each.

All members of the township board are eligible to participate in the plan. All eligible employees, except for Board trustees, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with The Manufacturers Life Insurance Company.

For the year ended March 31, 2005, the Township of Ovid had a total payroll of \$41,635. The Township of Ovid Retirement Plan covered a payroll of \$36,488. The Township of Ovid made contributions to the retirement plan in the amount of \$900.

**NOTE G: FUND BALANCE RESERVES**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following is the fund balance reserve as of March 31, 2005:

General Fund	
Reserved for capital improvements	<u>\$ 60,000</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



Township of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Current Tax Levy	\$ 65,756	\$ 59,822	\$ 73,767	\$ 13,945
Trailer tax	193	183	297	114
Administrative fees	21,211	16,111	23,940	7,829
Total taxes	87,160	76,116	98,004	21,888
Intergovernmental - State				
State revenue sharing	130,150	107,805	131,813	24,008
Charges for services				
Property split fees	2,250	3,000	3,425	425
Interest	3,829	4,720	4,262	(458)
Other				
SET reimbursement	-	-	4,560	4,560
Other	7,000	20,000	5,008	(14,992)
Total other	7,000	20,000	9,568	(10,432)
<b>TOTAL REVENUES</b>	<b>230,389</b>	<b>211,641</b>	<b>247,072</b>	<b>35,431</b>
<b>EXPENDITURES</b>				
General government				
Township Board	2,000	2,310	2,161	149
Supervisor	12,840	13,340	13,041	299
Clerk	14,700	14,700	13,674	1,026
Board of review	1,000	1,000	607	393
Treasurer	19,700	19,700	15,943	3,757
Assessor	24,840	26,340	26,209	131
Elections	4,500	4,500	3,875	625
Township hall	1,000	1,000	785	215
Cemetery	9,816	9,816	8,918	898
Other	12,000	16,860	15,489	1,371
Total general government	102,396	109,566	100,702	8,864
Public safety				
Police appropriation	500	500	500	-
Emergency services	23,760	23,900	18,503	5,397
Total public safety	24,260	24,400	19,003	5,397

Township of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>EXPENDITURES - CONTINUED</b>				
Public works				
Street lights	1,600	1,600	1,340	260
Highways, streets, and bridges	105,018	99,018	96,122	2,896
Drains	8,685	8,685	5,056	3,629
Total public works	115,303	109,303	102,518	6,785
Health and welfare				
Office on Aging	500	500	-	500
Recreation and cultural				
Library	360	360	105	255
Parks and recreation	3,360	3,360	3,235	125
Total recreation and cultural	3,720	3,720	3,340	380
Other				
Pension plan contributions	900	900	900	-0-
Social Security	3,100	3,100	3,079	21
Other	4,000	2,690	1,858	832
Total other	8,000	6,690	5,837	853
<b>TOTAL EXPENDITURES</b>	<b>254,179</b>	<b>254,179</b>	<b>231,400</b>	<b>22,779</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,790)</b>	<b>(42,538)</b>	<b>15,672</b>	<b>58,210</b>
Fund balance, beginning of year	325,024	325,024	325,024	-0-
Fund balance, end of year	<u>\$ 301,234</u>	<u>\$ 282,486</u>	<u>\$ 340,696</u>	<u>\$ 58,210</u>